



City of Seattle

Michael Patrick McGinn, Mayor
Office of Economic Development
Stephen H. Johnson, Acting Director

Memorandum

Date: April 28, 2010
To: Councilmember Richard Conlin, Chair of the Regional Development and Sustainability Committee; Councilmember Mike O'Brien, Vice-Chair; Councilmember Jean Godden, Member; Councilmember Tim Burgess, Alternate
From: Stephen H. Johnson, Acting Director, Office of Economic Development
Subject: Bi-annual report on the activities and progress of the Rainier Valley Community Development Fund

I am pleased to submit the first 2010 bi-annual report on the activities and progress of the Rainier Valley Community Development Fund (RVCDF), as required by Council Ordinance #121953 and Statement of Legislative Intent (SLI) #010-2-A-1 in the 2005 Adopted Budget. The RVCDF is the non-profit, community-based financial institution that is managing the assets of the Transit-Oriented Community Development Fund of Southeast Seattle. The City, King County and Sound Transit established the Fund to: (1) supplement mitigation available to businesses impacted by Link light rail construction along Martin Luther King Jr. Way S (MLK), and (2) invest in long-term business and real estate development in the Rainier Valley.

Key Issues/Highlights

Real Estate Development

The downturn in the economy has slowed real estate development dramatically, but there are projects in the Rainier Valley that have continued to make progress. Several projects funded by the RVCDF are underway including SEED's Claremont Apartments and the expansion of the Tiny Tots Daycare center. Most recently, the RVCDF funded the acquisition of a commercial property in Columbia City for rehabilitation by a private developer and is currently closing on its first real estate loan that is consistent with the principles of Islamic law, an interest-free or "riba-free" product, to the Oromo community. The Oromo community is acquiring a commercial building in Rainier Beach to use as a cultural center. The RVCDF's loan funds have been a valuable source of capital to keep projects moving in the Valley.

Small Businesses

The survival of small businesses in the Valley continues to be the RVCDF's primary concern and focus since the recession. To this end, the RVCDF provides staff support, leadership and organizational development for several local business organizations including the MLK Business Association, the Rainier Beach Merchant's Association, and the Rainier Chamber. As part of the SE Seattle Retail Study implementation effort, the RVCDF is also planning to provide technical assistance on store merchandising and window displays.

In the fall of 2009, the RVCDF designed a new “Business Retention and Expansion” program, with loans that are smaller in size and higher risk to respond to changes they were seeing in business financing needs. The RVCDF is combining a portion of their existing CDBG allocations with an additional \$250,000 in Community Development Block Grant federal stimulus funds (CDBG-R) that was awarded for this program. As of March 31st, the RVCDF has provided 4 Business Retention and Expansion loans for a total of \$145,000 from both sources.

Transition plan

The City provides finance general and CDBG funding that covers all of the operational costs of the RVCDF and provides loan capital for the loan fund. The City has committed to a total of \$42.8 million in funding, which was scheduled to be spent through 2012. The RVCDF is currently working with a community development finance consultant to reassess its business plan and prepare for operations starting in 2013, when funding allocations from the City will be over. This is an in-depth process with all options on the table to achieve the maximum impact of the fund. OED is involved in the process and in creating the final plan.

Background

Mitigation of Light Rail Construction Impacts

The RVCDF has been operating now for the past seven years. Initially, it focused on designing and managing a program to support businesses along Martin Luther King Jr Way through heavy light-rail construction impacts. Through this program, called Supplemental Mitigation Assistance, the RVCDF provided payments to businesses based on actual revenues lost from the impacts of construction. The RVCDF made over 1,000 payments to 181 impacted businesses, disbursing over \$15 million. When construction ended in 2008, 85% of impacted businesses were still operating, although some had moved out of the Rainier Valley. The total percentage of businesses impacted by light rail construction that were still operating in the Rainier Valley was 77%.

Pre-Apprenticeship Training Program

During light rail construction, the RVCDF also funded a Pre-Apprenticeship training program, coordinated by the Seattle Jobs Initiative. Just under \$1 million was used to place 140 Rainier Valley residents into construction training programs and jobs at an average wage of \$17.38 per hour. All participants entering the program were low-income and of the 140 people placed, 58% are African American, 18% are Asian and 12% are multi-ethnic, Latino or Native American.

Community Development Program

The RVCDF’s main line of business now is the Community Development Program, which is a revolving loan fund that provides low-cost real estate and business financing in the Rainier Valley. The program has been operating for just over three years and has made 21 loans, investing \$9.4 million in businesses and real estate projects.

- Real Estate Investments – The RVCDF has invested \$7.2 million in real estate projects comprised of: \$3.1 million in commercial developments, \$2.8 million in mixed-use developments, and \$1.3 million in housing near a light rail station.
- Business Investments - \$2.18 million has been invested in small businesses to date. This includes the original City appropriations and CDBG-R funding received in 2009.



With all the investments mentioned above, the RVCDF has invested 77% in real estate and 23% in business lending. This lending activity is summarized in Table IV.

Financial Summary

Attachment A includes the following required reports:

- Table I. Summary of City Funding Appropriations and Disbursements for RVCDF Activities
- Table II. City Disbursements and Balances for RVCDF Activities by Fund Source
- Table III. The Rainier Valley Community Development Fund Summary of Expenditures as of March 31, 2010
- Table IV. The Rainier Valley Community Development Fund Loan Portfolio as of March 31, 2010
- Table V. The Rainier Valley Community Development Fund Loan Pipeline as of March 31, 2010

Questions regarding this report or other activities of the Rainier Valley Community Development Fund can be directed to Theresa Barreras in the Office of Economic Development, phone number 206-684-4505, email Theresa.barreras@seattle.gov.

CC: Phyllis Schulman, Committee Staff
Kieu Anh King, Council Central Staff
Amanda Allen, City Budget Office
Kristi Beattie, City Budget Office



Attachment A

Table I. Summary of City Funding Appropriations and Disbursements for RVCDF Activities

Funding Appropriations ¹	Adopted								Projected			Total
	2003	2004	2005	2006	2007	2008	2009	Total	2010	2011	2012	
Finance General	\$300,000	\$700,000	\$1,676,200	\$1,886,150	\$1,479,850	\$921,400	\$836,400	\$7,800,000				\$7,800,000
CDBG	1,912,500	2,400,000	2,400,000	2,500,000	4,350,000	4,330,000	4,330,000	22,222,500	\$4,230,000	\$4,230,000	\$4,317,500	35,000,000
Total	\$2,212,500	\$3,100,000	\$4,076,200	\$4,386,150	\$5,829,850	\$5,251,400	\$5,166,400	\$30,022,500	\$4,230,000	\$4,230,000	\$4,317,500	\$42,800,000
Disbursements	Actual								Projected			
Administration ²		(\$173,900)	(\$817,056)	(\$756,301)	(\$832,243)	(\$940,838)	(\$846,192)	(\$4,366,530)	(\$900,000)	(\$930,000)	(\$950,000)	(\$7,146,530)
Supplemental Mitigation ³			(674,635)	(2,753,528)	(3,287,760)	(2,392,889)	(17,077)	(9,125,889)				(9,125,889)
Community Development ⁴				(1,171,568)	(2,519,750)	(3,062,600)	(2,647,700)	(9,401,618)	(4,300,000)	(4,300,000)	(4,300,000)	(22,301,618)
Apprenticeship Program			(233,037)	(250,149)	(298,222)	(122,547)	(11,943)	(915,898)	(6,300)			(922,198)
Total Disbursements		(173,900)	(1,724,728)	(4,931,546)	(6,937,975)	(6,518,874)	(3,522,912)	(23,809,935)	(5,206,300)	(5,230,000)	(5,250,000)	(39,496,235)
Net Rolling Balance ⁵	\$2,212,500	\$5,138,600	\$7,490,072	\$6,944,676	\$5,836,551	\$4,569,077	\$6,212,565	\$6,212,565	\$5,236,265	\$4,236,265	\$ 3,303,765	\$ 3,303,765

1: **Total Finance General and CDBG appropriations** are based on the Council-approved Substitute Funding Agreement. Finance General Funds were planned to be appropriated from 2003 through 2009 and spent through 2012. This was originally designed to match appropriations to tax revenues generated by light rail construction. This does not include CDBG-R funds that were awarded in 2009.

2: **Administration** includes amounts provided to the RVCDF and Sound Transit, as well as amounts retained by the City to cover a portion of City administrative costs. This is shown in more detail on Table II. Since this is a table of City disbursements only, program administration funded directly by Sound Transit is not shown.

3: **The Supplemental Mitigation program** provided reimbursements for losses caused by light rail construction and includes SDOT signal and software equipment shown on Table II. Since this is a table of City disbursements only, supplemental mitigation funded directly by Sound Transit is not shown.

4: **The Community Development program** is a revolving loan fund for business and real estate investments.

5: **Net Rolling Balance** reduces the cumulative appropriations by disbursements to date to show a running total of funds available (or projected to be available) at the end of each year. In the years 2003 through 2008, many of these “available” funds were reserved for the Supplemental Mitigation program. Current projections based on spending patterns and operations estimate that the RVCDF will not fully expend all funds by 2012.

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Table II. City Disbursements and Balances for RVCDF Activities by Fund Source

Note: This table displays the information provided in Table I with more details of the amount and type of funds that OED has disbursed to the RVCDF and for what purpose. It also shows the net rolling balances by fund source. **These are City disbursements only.**

Finance General	Adopted											Total
	2003	2004	2005	2006	2007	2008	2009	Total to Date	2010	2011	2012	
Appropriations	\$300,000	\$700,000	\$1,676,200	\$1,886,150	\$1,479,850	\$921,400	\$836,400	\$7,800,000	\$ -	\$ -	\$ -	\$7,800,000
Disbursements	Actual								Projected			
RVCDF Program Admin.		(173,900)	(668,874)	(684,560)	(701,412)	(813,400)	(836,096)	(3,878,242)	(900,000)	(930,000)	(950,000)	(6,658,242)
Sound Transit Admin.			(148,182)	(71,741)	(80,831)	(77,438)	(10,096)	(388,288)				(388,288)
City of Seattle Admin.					(50,000)	(50,000)		(100,000)				(100,000)
Total Administration		(173,900)	(817,056)	(756,301)	(832,243)	(940,838)	(846,192)	(4,366,530)	(900,000)	(930,000)	(950,000)	(7,146,530)
Apprenticeship Program		-	-	(125,695)	(198,522)	(118,036)	(11,943)	(454,196)	(6,300)	-	-	(460,496)
Total Disbursements		(173,900)	(817,056)	(881,996)	(1,030,765)	(1,058,874)	(858,135)	(4,820,726)	(906,300)	(930,000)	(950,000)	(7,607,026)
Net Finance General Rolling Balance	\$300,000	\$826,100	\$1,685,244	\$2,689,398	\$3,138,483	\$3,001,009	\$2,979,274	\$2,979,274	\$2,072,974	\$1,142,974	\$ 192,974	\$ 192,974

CDBG	Adopted								Projected			Total
	2003	2004	2005	2006	2007	2008	2009	Total to Date	2010	2011	2012	
Appropriations	\$1,912,500	\$2,400,000	\$2,400,000	\$2,500,000	\$4,350,000	\$4,330,000	\$4,330,000	\$22,222,500	\$4,230,000	\$4,230,000	\$4,317,500	\$35,000,000
Disbursements	Actual								Projected			
Supplemental Mitigation Business Assistance			(674,635)	(1,891,872)	(2,219,454)	(2,383,288)	(17,077)	(7,186,326)				(7,186,326)
SDOT - Signal Software & Equipment			-	(861,656)	(1,068,306)	(9,601)	-	(1,939,563)				(1,939,563)
Community Development			-	(1,171,568)	(2,519,750)	(3,062,600)	(2,647,700)	(9,401,618)	(4,300,000)	(4,300,000)	(4,300,000)	(22,301,618)
Apprenticeship Program			(233,037)	(124,454)	(99,700)	(4,511)	-	(461,702)	-	-	-	(461,702)
			(907,672)	(4,049,550)	(5,907,210)	(5,460,000)	(2,664,777)	(18,989,209)	(4,300,000)	(4,300,000)	(4,300,000)	(31,889,209)
Net CDBG Rolling Balance	\$1,912,500	\$4,312,500	\$5,804,828	\$4,255,278	\$2,698,068	\$1,568,068	\$3,233,291	\$3,233,291	\$3,163,291	\$ 3,093,291	\$ 3,110,791	\$ 3,110,791

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Table III. The Rainier Valley Community Development Fund Summary of Expenditures as of March 31, 2010

Table III shows the RVCDF's expenditures to date broken out by product/purpose. This includes activity funded by the City of Seattle and Sound Transit. There are often differences in the recording and timing of transactions between the City and the RVCDF and amounts shown in this table might differ from the disbursements shown in Tables I and II. This table shows the total of all Supplemental Mitigation payments made, including those funded by the City and Sound Transit.

	2003	2004	2005	2006	2007	2008	2009	Jan-Mar 2010	Total
Program and General Administration	\$ 479,112	\$ 637,422	\$ 649,518	\$ 714,800	\$ 823,890	\$ 709,641	\$ 763,402	\$ 195,243	\$4,973,028
Community Development Program									
Real estate loans booked	-	-	-	1,087,185	2,050,000	2,250,000	1,850,000	-	7,237,185
Business loans booked	-	-	-	-	375,000	690,000	720,000	400,000	2,185,000
Business interest subsidy grants booked				40,897	-	-	-	-	40,897
Loan loss reserve funded	-	-	-	43,487	94,750	122,600	112,700	(373,537)	-
Subtotal	-	-	-	1,171,569	2,519,750	3,062,600	2,682,700	26,463	9,463,082
Supplemental Mitigation Payments to Businesses									
Re-establishment for relocating businesses	71,624	2,162,541	884,461	561,107	35,876	43,600	-		3,759,209
Business interruption caused by construction	-	1,328,406	1,538,533	2,065,564	3,169,214	2,939,652	17,077		11,058,446
Advances	95,000	179,048	-	-	-	-	-		274,048
Subtotal	166,624	3,669,995	2,422,994	2,626,671	3,205,090	2,983,252	17,077	-	15,091,703
Apprenticeship Program			267,319	277,909	225,284	71,742	12,047	-	854,301
Grand Total	\$ 645,736	\$4,307,417	\$3,339,831	\$4,790,949	\$6,774,014	\$6,827,235	\$3,475,226	\$221,706	\$30,382,114

Note: The Community Development Program was established to provide financing for real estate projects and businesses – 75% for real estate and 25% for businesses over the life of the program. So far, 23% of this program's funds have been used for business loans and grants and 77% for real estate loans. See Table IV for loan and grant details.

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Table IV. The Rainier Valley Community Development Fund Loan Portfolio as of March 31, 2010

Real Estate Project Loans

Borrower	Project Description	Date Booked	Loan Amount
SEED	Mixed use project at former Chubby & Tubby site – CDBG	Aug-06	\$ 1,087,185
Inter*Im	Samaki Commons housing project near Othello Station - CDBG	Dec-07	1,300,000
Housing Resources Group	Rose Street mixed use project in Rainier Beach – CDBG	Dec-07	750,000
Family Services	Commercial development in North Rainier – CDBG	Sep-08	2,250,000
Urban Impact	Mixed use project on Rainier - CDBG	Feb-09	865,000
Urban Impact	Loan increase to accelerate mixed use project above – CDBG	Aug-09	135,000
Tiny Tots Daycare	Commercial development in Rainier Beach - CDBG	Aug-09	850,000
Real Estate Total			\$ 7,237,185
Business Loans			
Borrower	Description	Date Booked	Loan Amount
Curves	Business relocation and expansion - CDBG	May-07	\$ 150,000
Filipino Community Center	Community center and business expansion – CDBG	Dec-07	225,000
Filipino Community Center	Community center and business expansion - CDBG	Jul-08	240,000
Kate Quinn Organics	Business expansion and job creation – CDBG	Jun-08	200,000
Universal Transportation & Translation	Business expansion and job creation – CDBG	Jul-08	250,000
Othello UPS	Business stabilization and job creation – CDBG	Apr-09	200,000
Columbia City Cinema	Business stabilization – CDBG	Apr-09	35,000
Ballard Organics	Business relocation and job creation – CDBG	Jul-09	250,000
Pantiga/Huarachitos	Business Retention and Expansion - CDBG	Oct-09	25,000
Guru Inc	Business expansion - CDBG	Sep-09	175,000
Queen's Dispatch	Business Retention and Expansion - CDBG-R	Dec-09	35,000
AIM Dental	Business Retention and Expansion - CDBG-R	Feb-10	50,000
Tutta Bella	Business loan - Revolved Funds	Mar-10	315,000
NW Vietnamese News	Business Retention and Expansion - CDBG-R	Mar-10	35,000
Business Total			\$ 2,185,000
Total Loan Portfolio			\$ 9,422,185

(1)

(1) Pantiga was the first RVCDF “Business Retention and Expansion” product, using their standard CDBG allocation.

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Table IV. Continued

Interest Subsidy Grants

Borrower	Description	Date Booked	Loan Amount (Provided by CCD)	Interest Subsidy Grant (RVCDF)
Chuy el Mexicano	Business working capital	Nov-06	\$ 50,000	\$ 6,794
Guru Inc/Union 76	Business working capital	Oct-06	100,000	34,103
Total Interest Subsidy Grants			\$ 150,000	\$ 40,897

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**Table V. The Rainier Valley Community Development Fund
Loan Pipeline as of March 31, 2010**

Pipeline	Estimated Loan Amount	Note
Real Estate Loans		
Acquisition for cultural center – Oromo Community – CDBG	\$ 904,800	Closed in April
Additional funding for Urban Impact project – CDBG	265,000	
Predevelopment for commercial building - CDBG	550,000	
Take-out permanent financing for Claremont Apts – Revolved	600,000	
Take-out permanent financing for Rose Street Apartments – Revolved	950,000	
Acquisition for commercial property – Harbor Properties Columbia City - Revolved	1,200,000	Closed in April
Real Estate Total	\$ 4,469,800	
Business Loans		
V51 Group – CDBG-R	40,000	Closed in April
Tire shop – CDBG	50,000	
Chiropractic clinic – CDBG	120,000	
Business Total	\$ 210,000	
Pipeline Total	\$ 4,679,800	